



June 26, 2023

Florida Housing Finance Corporation  
Attn: Jean Salmonsens  
227 N. Bronough Street, Suite 5000  
Tallahassee, FL 32301

Re: Public Comment RFA 2023-205

Dear Ms. Salmonsens,

Thank you for the opportunity to provide input on RFA 2023-205. McDowell Housing Partners applauds FL Housing's continued promotion of self-sourced developments. There are several clear and distinct benefits derived from leveraging private capital investment with FL Housing's limited SAIL resources. In review of recently posted public comments regarding points afforded to self-sourced developments that commit to either a) extend the waiver period of qualified contract, or b) increase the amount of the self-sourced loans, MHP respectfully offers the following feedback for your consideration.

There were five self-sourced applicants submitted in RFA 2022-205. **All five applications** committed to either increase their self-sourced loan commitments and/or extend the rent/income compliance period, with **three of the five applicants waiving the option to convert to market-rate for a period of 50 years**. This demonstrates a high-level of interest, and capacity, for developers to not only make a significant direct investment into their own developments, but also preserve affordability over the very long-term. Given the notable subscription, and the benefit created with long-term affordability preservation, it makes rational policy sense to maintain the optional points.

Public comments pointed out perceived "downsides" to offering optional points for self-sourced applicants that waive the right to convert to market-rate for a period of time beyond the initial 15-year compliance period. While the optional self-sourced points certainly will not be a fit for all applicants, there are still multiple reasons why an applicant may be willing commit to a longer affordability period or provide a larger self-sourced loan:

- Preservation of affordability may be larger part of the applicant's mission and goals.
- Threshold economic returns vary widely amongst developers when assessing the feasibility of a transaction. When aggregating the developers' fees, cash flows, and residual values you can still achieve an attractive economic return despite committing to a longer affordability period.



- APC indicated that you can't "forecast out 50 years". Correspondingly, it's just as impossible to forecast out 15 years. That's why it's incumbent upon each applicant to assess such risk on a deal-by-deal basis as the maker of the self-sourced note. Most development must refinance after the initial compliance period. Instead of doing a "cash out refi" our projections indicate that proceeds from refinancing after the typical 15–17-year initial mortgage term are sufficient to pay back all, or a significant portion of the SAIL loan. Thereafter, the excess refinancing proceeds would go to pay down the SS note. If SAIL cannot be fully paid off there is enough cash flow to begin servicing the SS note and accrued interest on the transactions, which would otherwise be distributable cash flow. Overall, there is still a reasonable expectation that SAIL notes will repaid and program income generated after the initial 15 year compliance period.
- Developers who have true skin in the game, beyond their deferred developer fees, inherently have an incentive to deliver high quality product in appreciating/growing locations, as well as operating assets with high level of integrity and performance, to protect their investment. If they are the maker of a self-sourced note that remains in the deal after Year 15 that incentive remains in place.
- Other deal-by-deal factors also play into the motivation for extending the compliance period as well. For instance, a developer may be conveying land they own at a low basis, or have under lease for a nominal rate, conveying the land at to the partnership for the market value drives proceeds that ultimately offset the cost of the capital investment of the self-sourced loan, or they may have an agreement under SB 102 for the "local option" tax exemption.
- We agree with the comment made by AMBAR3 that the award of self-sourced points may drive smaller self-sourced developments. However, the concern applies to points for both increased self-sourced loans as well as longer term affordability. In our experience only larger developments make economic sense under the self-sourced structure. **We recommend establishing that self-sourced points only be available to self-sourced applications with 180 units or more.**

APC proposed providing points to applicants committing to convert self-sourced development to missing middle units (120% AMI) instead of unrestricted market-rate units. The natural incentive is already in place for self-sourced developments to convert to 120% AMI, or lower, to secure the missing middle tax exemption, there is no need to incentive applicants at the point of application. Achievable market rents in most of the areas being proposed for development are at or below 120% AMI already, inherently a developer will be inclined to put on the workforce housing covenant and cap the rents at 120% AMI and take the additional 75%-100% tax exemption. **Additional points are unwarranted as it's a structure most will pursue regardless after year 15. However, such a concept seems well-suited to be incorporated within SAIL Financing for Innovative Multifamily Development Opportunities Pursuant to The Live Local Act which has a notable focus on mixed income.**



In summary, leveraging private capital investment (driving more units with the limited SAIL funding) while also securing additional affordability periods (preservation) delivers significant policy value and practical benefit to the state. Despite the comments received it has been demonstrated that longer affordability periods are feasible and desired within self-sourced developments. With more SAIL funding available and the RFA scheduled to be published next week we encourage FL Housing to maintain the policy and system.

We appreciate your consideration and the opportunity to provide feedback.

Sincerely,

A handwritten signature in blue ink, appearing to read "C Shear".

Chris Shear  
COO  
McDowell Housing Partners

Cc: Mike DiNapoli, FHFC  
Melisa Levy, FHFC  
Bill Aldinger, FHFC  
Marisa Button, FHFC